



**MENLO PARK ACADEMY  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2009**



**Mary Taylor, CPA**  
Auditor of State



**MENLO PARK ACADEMY  
CUYAHOGA COUNTY  
TABLE OF CONTENTS**

Independent Accountants' Report .....	1
Management's Discussion and Analysis .....	3
Statement of Net Assets as of June 30, 2009 .....	7
Statement of Revenues, Expenses, and Changes in Net Assets for the Period Ended June 30, 2009 .....	8
Statement of Cash Flows for the Period Ended June 30, 2009 .....	9
Notes to the Financial Statements .....	11
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	23
Independent Accountants' Report on Applying Agreed-Upon Procedures .....	25

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Menlo Park Academy  
Cuyahoga County  
14440 Triskett Road  
Cleveland, Ohio 44111

To the Board of Directors:

We have audited the accompanying basic financial statements of Menlo Park Academy, Cuyahoga County, Ohio (MPA), as of and for the period ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of MPA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Menlo Park Academy, Cuyahoga County, Ohio, as of June 30, 2009, and the changes in its financial position and cash flows for the period then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2009, on our consideration of MPA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA  
Auditor of State

December 21, 2009

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE PERIOD SEPTEMBER 23, 2008 THROUGH JUNE 30, 2009

Management's discussion and analysis of Menlo Park Academy's ("MPA") financial performance provides an overall review of MPA's financial activities for the period September 23, 2008 through June 30, 2009. The intent of this discussion and analysis is to look at MPA's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of MPA's financial performance.

Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the Management's Discussion and Analysis. However, because this is the first fiscal year of financial reporting for MPA, comparative prior fiscal year information does not exist. Subsequent reports will include the comparative information.

**Financial Highlights**

Key financial highlights for the period September 23, 2008 through June 30, 2009 are as follows:

- In total, net assets were \$34,413 at June 30, 2009.
- MPA had operating revenues of \$360,960, operating expenses of \$380,005 and non-operating revenues of \$49,650 for the period September 23, 2008 through June 30, 2009. MPA also received capital contributions of \$560. The total change in net assets for the period was an increase of \$31,165.

**Using these Basic Financial Statements**

This annual report consists of three parts, Management's Discussion and Analysis, the Financial Statements and the Notes to the Financial Statements. These statements are organized so the reader can understand MPA's financial activities. The *Statement of Net Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* provide information about the activities of MPA, including all short-term and long-term financial resources and obligations.

**Reporting MPA's Financial Activities**

***Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows***

These documents look at all financial transactions to determine how well MPA has performed financially through June 30, 2009. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report MPA's *net assets* and changes in those assets. This change in net assets tells the reader whether, for MPA as a whole, the *financial position* of MPA has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how MPA finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

The table on the next page provides a summary of MPA's net assets. As this is MPA's first year of operations, comparative information is not available.

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE PERIOD SEPTEMBER 23, 2008 THROUGH JUNE 30, 2009

**Net Assets**

	<u>June 30, 2009</u>
<b><u>Assets</u></b>	
Current assets	\$ 109,772
Security deposits	3,900
Capital assets, net	<u>2,878</u>
Total assets	<u>116,550</u>
<b><u>Liabilities</u></b>	
Current liabilities	<u>82,137</u>
Total liabilities	<u>82,137</u>
<b><u>Net Assets</u></b>	
Invested in capital assets	2,878
Unrestricted	<u>31,535</u>
Total net assets	<u><u>\$ 34,413</u></u>

Over time, net assets can serve as a useful indicator of the school's financial position. At June 30, 2009, MPA's net assets totaled \$34,413.

Current assets represent cash, prepayments, and accounts receivable. Current liabilities represent accrued wages and benefits, unearned revenues, accounts payable, pension obligations and amounts due to other governments, which includes amounts due to the Sponsor for fiscal agent services.

The revenue generated by community schools is heavily dependent upon per-pupil allotment given by the State foundation program. Foundation payments were 79.78% of total operating and non-operating revenues during fiscal year 2009.

The statement of revenues, expenses, and changes in net assets show the cost of operating expenses and the revenues offsetting those services. The table on the following page shows the total amount of operating and non-operating expenses and the revenues associated with those expenses for the year.



**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

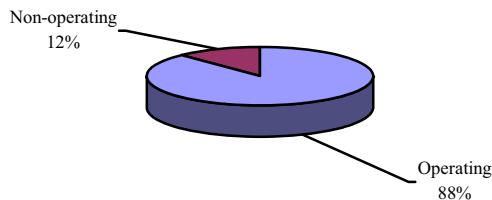
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE PERIOD SEPTEMBER 23, 2008 THROUGH JUNE 30, 2009

The table below shows the changes in net assets for the period September 23, 2008 through June 30, 2009.

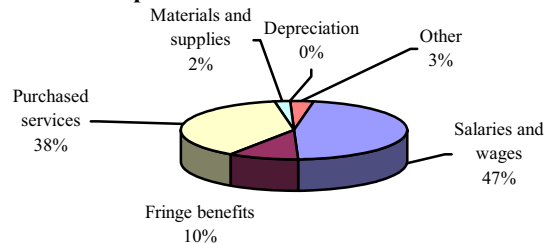
	<b>Change in Net Assets</b> For the Period <u>9/23/08 - 6/30/09</u>
<b><u>Operating Revenues:</u></b>	
State foundation	\$ 328,053
Classroom materials and fees	25,572
Other	<u>7,335</u>
Total operating revenue	<u>360,960</u>
<b><u>Operating Expenses:</u></b>	
Salaries and wages	177,563
Fringe benefits	38,127
Purchased services	143,004
Materials and supplies	8,541
Depreciation	480
Other	<u>12,290</u>
Total operating expenses	<u>380,005</u>
<b><u>Non-operating Revenues:</u></b>	
State grants	3,000
Contributions and donations	<u>46,650</u>
Total non-operating revenues	<u>49,650</u>
Capital contributions	<u>560</u>
Change in net assets	31,165
Net assets at beginning of period	<u>3,248</u>
Net assets at end of period	<u>\$ 34,413</u>

The charts below illustrate the revenues and expenses for MPA for the period September 23, 2008 through June 30, 2009.

**Revenues for the Period 9/23/08 - 6/30/09**



**Expenses for the Period 9/23/08 - 6/30/09**



**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE PERIOD SEPTEMBER 23, 2008 THROUGH JUNE 30, 2009

**Capital Assets**

At June 30, 2009, MPA had \$2,878 invested in furniture, fixtures and equipment, net of accumulated depreciation. For more information on capital assets, see Note 5 to the basic financial statements.

**Current Financial Related Activities**

The utilization of the Lucas County Educational Service Center as MPA's fiscal agent greatly improves the internal control structure and quality of its financial records. During the 2008-2009 school year, MPA grew from an initial student enrollment of 34 to 66 students by year end, resulting in an average enrollment of 55 students for the year.

In order to continually provide learning opportunities to its students, MPA will apply resources to best meet the needs of its students. It is the intent of MPA to apply for State and Federal funds that are made available to finance its operations.

**Contacting MPA's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of MPA's finances and to show MPA's accountability for the money it receives. If you have questions about this report or need additional financial information contact Jamie Love, Director of Finance by mail at Menlo Park Academy, 14440 Triskett Rd. Cleveland, Ohio 44111-2263; by email at [jamie.love@menloparkacademy.com](mailto:jamie.love@menloparkacademy.com); by calling 440.925.6365 or by faxing 440.925.0698.

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2009

<b>Assets:</b>	
<u>Current assets:</u>	
Cash and cash equivalents . . . . .	\$ 103,592
Receivables:	
Accounts . . . . .	2,125
Prepayments . . . . .	4,055
	109,772
<u>Non-current assets:</u>	
Security deposits . . . . .	3,900
Capital assets, net. . . . .	2,878
	6,778
Total assets . . . . .	116,550
 <b>Liabilities:</b>	
<u>Current liabilities:</u>	
Accounts payable . . . . .	29,056
Accrued wages and benefits . . . . .	35,328
Unearned revenue. . . . .	9,800
Intergovernmental payable. . . . .	3,068
Pension obligation payable . . . . .	4,885
	82,137
 <b>Net Assets:</b>	
Invested in capital assets. . . . .	2,878
Unrestricted. . . . .	31,535
	34,413
Total net assets . . . . .	\$ 34,413

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE PERIOD SEPTEMBER 23, 2008 THROUGH JUNE 30, 2009

<b>Operating revenues:</b>	
State foundation. . . . .	\$ 328,053
Classroom materials and fees. . . . .	25,572
Other operating revenue. . . . .	7,335
Total operating revenue . . . . .	<u>360,960</u>
 <b>Operating expenses:</b>	
Salaries and wages . . . . .	177,563
Fringe benefits. . . . .	38,127
Purchased services. . . . .	143,004
Materials and supplies . . . . .	8,541
Depreciation . . . . .	480
Other. . . . .	12,290
Total operating expenses. . . . .	<u>380,005</u>
 Operating loss. . . . .	 <u>(19,045)</u>
 <b>Non-operating revenues:</b>	
State grants. . . . .	3,000
Contributions and donations. . . . .	46,650
Total non-operating revenues. . . . .	<u>49,650</u>
 Income before contributions. . . . .	 30,605
 Capital contributions . . . . .	 <u>560</u>
 Change in net assets . . . . .	 31,165
 <b>Net assets at beginning of period. . . . .</b>	 <u>3,248</u>
<b>Net assets at end of period. . . . .</b>	<b><u>\$ 34,413</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE PERIOD SEPTEMBER 23, 2008 THROUGH JUNE 30, 2009

<b>Cash flows from operating activities:</b>		
Cash received from state foundation . . . . .	\$	328,053
Cash received from classroom materials and fees. . . . .		35,022
Cash received from other operations . . . . .		7,335
Cash payments for salaries and wages . . . . .		(143,294)
Cash payments for fringe benefits . . . . .		(33,242)
Cash payments to suppliers for goods and services. . . . .		(117,543)
Cash payments for materials and supplies . . . . .		(8,541)
Cash payments for other expenses . . . . .		(11,123)
		<hr/>
Net cash provided by operating activities . . . . .		56,667
<b>Cash flows from noncapital financing activities:</b>		
State grants. . . . .		3,000
Contributions and donations. . . . .		44,875
		<hr/>
Net cash provided by noncapital financing activities . . . . .		47,875
<b>Cash flows from capital and related financing activities:</b>		
Principal retirement on loans. . . . .		(10,000)
		<hr/>
Net cash used in capital and related financing activities. . . . .		(10,000)
		<hr/>
Net increase in cash and cash equivalents . . . . .		94,542
<b>Cash and cash equivalents at beginning of period . . . . .</b>		<b>9,050</b>
<b>Cash and cash equivalents at end of period . . . . .</b>		<b>\$ 103,592</b>
		<hr/> <hr/>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating loss. . . . .	\$	(19,045)
Adjustments:		
Depreciation. . . . .		480
Changes in assets and liabilities:		
(Increase) in accounts receivable . . . . .		(350)
(Increase) in security deposits. . . . .		(3,900)
(Increase) in prepayments. . . . .		(2,655)
Increase in accounts payable. . . . .		29,056
Increase in accrued wages and benefits . . . . .		35,328
Increase in intergovernmental payable. . . . .		3,068
Increase in unearned revenue. . . . .		9,800
Increase in pension obligation payable. . . . .		4,885
		<hr/>
Net cash provided by operating activities. . . . .	\$	56,667
		<hr/> <hr/>

**Non-Cash Transactions:**

During the period September 23, 2008 through June 30, 2009, the Academy received \$560 in capital contributions.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD SEPTEMBER 23, 2008 THROUGH JUNE 30, 2009

**NOTE 1 - DESCRIPTION OF THE ENTITY**

Menlo Park Academy (“MPA”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. MPA is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect MPA’s tax-exempt status. MPA’s objective is to provide educational services to gifted students in grades kindergarten through 6<sup>th</sup> grade. MPA, which is part of the State’s education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. MPA may acquire facilities as needed and contract for any services necessary for the operation of MPA.

MPA entered into a sponsorship agreement with Lucas County Educational Service Center (the Sponsor) on September 16, 2008 for a period through June 30, 2011. The Sponsor is responsible for evaluating the performance of MPA and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. MPA also has an agreement with the Sponsor to act as fiscal agent (See Note 11).

MPA operates under the direction of a five-member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Governing Board controls MPA’s two instructional/support facilities staffed by 1 non-certified and 8 certified personnel who provide services to 66 students.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of MPA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. MPA also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. MPA has elected not to apply FASB statements and interpretations issued after November 30, 1989. The more significant of MPA’s accounting policies are described below.

**A. Basis of Presentation**

MPA’s basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

**B. Measurement Focus**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how MPA finances and meets the cash flow needs of its enterprise activities.

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD OF SEPTEMBER 23, 2008 THROUGH JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. MPA's financial statements are prepared using the accrual basis of accounting.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenues resulting from nonexchange transactions, in which MPA receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which MPA must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to MPA on reimbursement basis.

Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between MPA and its sponsor. The contract between MPA and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis. Each year, on or before June 30, a revised budget shall be submitted to the Sponsor.

**E. Cash and Cash Equivalents**

All monies received by MPA are accounted for by MPA's fiscal agent, the Lucas County Educational Service Center. All cash received by the fiscal agent is maintained in separate bank accounts in MPA's name. Monies for MPA are maintained in these accounts or temporarily used to purchase short-term investments.

For the purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by MPA are considered to be cash equivalents.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.



**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD OF SEPTEMBER 23, 2008 THROUGH JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**G. Capital Assets**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. MPA maintains a capitalization threshold of five hundred dollars. MPA does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Life</u>
Furniture, Fixtures and Equipment	7 years

**H. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

MPA applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**I. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities. For MPA, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of MPA. Revenues and expenses not meeting this definition are reported as non-operating.

**J. Capital Contributions**

Capital contributions arise from outside contributions of capital assets. Capital contributions are reported as revenue.

**K. Intergovernmental Revenue**

MPA currently participates in the State Foundation Program and the State EMIS grant. Revenues from the State Foundation Program are recognized as operating revenue in the accounting period in which all eligibility requirements had been met. Revenues received from the State EMIS grant are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which MPA must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to MPA on a reimbursement basis.

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD OF SEPTEMBER 23, 2008 THROUGH JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**L. Security Deposits**

MPA entered into leases for the use of two buildings for the administration and instruction of MPA. Based on the lease agreements, a security deposit was required to be paid at the signing of the agreements. The lessors hold these amounts, totaling \$3,900 (See Note 10).

**M. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

State statutes require the classification of the monies held by MPA into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in MPA Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive monies are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including, but not limited to passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, or Ohio local governments;

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD OF SEPTEMBER 23, 2008 THROUGH JUNE 30, 2009

**NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)**

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio).

Investments of stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of MPA and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**A. Deposits**

At June 30, 2009, the carrying amount of MPA's deposits was \$103,592. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, MPA's entire bank balance of \$108,124 was insured by federal depository insurance.

**B. Investments**

MPA had no investments.

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2009, consisted of accounts receivable for classroom materials and fees and contributions and donations. All receivables are considered collectible in full. The MPA had \$2,125 in accounts receivable at June 30, 2009.

**NOTE 5 - CAPITAL ASSETS**

A summary of MPA's capital assets for the period September 23, 2008 through June 30, 2009, follows:

	<u>Balance 09/23/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/09</u>
Capital Assets:				
Furniture, fixtures and equipment	\$ 2,798	\$ 560	\$ -	\$ 3,358
Less: accumulated depreciation				
Furniture, fixtures and equipment	-	(480)	-	(480)
Total capital assets,				
Net of accumulated depreciation	<u>\$ 2,798</u>	<u>\$ 80</u>	<u>\$ -</u>	<u>\$ 2,878</u>

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD OF SEPTEMBER 23, 2008 THROUGH JUNE 30, 2009

**NOTE 6 - LONG-TERM OBLIGATIONS**

MPA's long-term obligations for the period September 23, 2008 through June 30, 2009 were as follows:

	<u>Balance</u> <u>9/23/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2009</u>
Loans Payable	\$ 10,000	\$ -	\$ (10,000)	\$ -

A \$10,000 zero percent interest loan was obtained from a board member prior to September 23, 2008 in order to fund start-up operations for MPA. MPA repaid the \$10,000 in October 2008 (See Note 13).

Two additional \$10,000 loans were obtained from board members in September 2008. These loans were converted to donations in December 2008 and are reflected as contributions and donations non-operating revenue on the basic financial statements (See Note 13).

**NOTE 7 - RISK MANAGEMENT**

**A. Insurance Coverage**

MPA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended 2009, MPA contracted with Wells Fargo Insurance Services and had the following insurance coverage:

Commercial General Liability per Occurrence	\$1,000,000
Commercial General Liability Aggregate	3,000,000
Automotive Liability - Non-owned Automobiles	1,000,000
Director's & Officer's Liability per Aggregate	1,000,000
Personal Property (\$5,000 deductible)	60,000
Computer Equipment (\$1,000 deductible)	60,000
Excess Liability Umbrella	5,000,000

MPA owns no property, but leases two facilities located at 3600 Crocker Road, Westlake, Ohio and 760 Tower Boulevard, Lorain, Ohio (See Note 10).

**B. Workers' Compensation**

MPA pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

**C. Other Employee Benefits**

MPA has contracted with a private carrier to provide employee medical and dental insurance as well as a discounted vision service plan to its full time employees.

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD OF SEPTEMBER 23, 2008 THROUGH JUNE 30, 2009

**NOTE 8 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - MPA contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and MPA is required to contribute at an actuarially determined rate. The current MPA rate is 14 percent of annual covered payroll. A portion of MPA's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. MPA's required contributions for pension obligations to SERS for the period August 31, 2008 through June 30, 2009 was \$901; 100 percent has been contributed for the period ended June 30, 2009.

**B. State Teachers Retirement System of Ohio**

Plan Description - MPA participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD OF SEPTEMBER 23, 2008 THROUGH JUNE 30, 2009

**NOTE 8 - PENSION PLANS - (Continued)**

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. MPA was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

MPA's required contributions for pension obligations to STRS Ohio for the period August 31, 2008 through June 30, 2009 was \$17,437; 100 percent has been contributed for the period ended June 30, 2009.

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - MPA participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

MPA's contributions for health care (including surcharge) for the period August 31, 2008 through June 30, 2009 was \$413; 100 percent has been contributed for the period ended June 30, 2009.

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD OF SEPTEMBER 23, 2008 THROUGH JUNE 30, 2009

**NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)**

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. MPA's contributions for Medicare Part B for the period August 31, 2008 through June 30, 2009 were \$74; 100 percent has been contributed for the period ended June 30, 2009.

**B. State Teachers Retirement System of Ohio**

Plan Description - MPA contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. MPA's contributions for health care for the period August 31, 2008 through June 30, 2009 was \$1,341; 100 percent has been contributed for the period ended June 30, 2009.

**NOTE 10 - OPERATING LEASES**

- A. MPA entered into an operating lease for the period September 1, 2008 through August 31, 2009 with Todd and Keri Roby, LTD. to lease space to house MPA. Payments made totaled \$9,000 for the period ended June 30, 2009. MPA also had a \$900 security deposit held by the lessor.
- B. MPA entered into an operating sub-lease for the period August 21, 2008 through June 20, 2009 with Church on the Rise to lease space to house MPA. Lease payments are \$3,000 per month. Payments made totaled \$33,000 for the lease period. MPA also had a \$3,000 security deposit held by the lessor.

**NOTE 11 - FISCAL AGENT**

MPA entered into a service agreement as part of its Sponsorship contract with the Treasurer of the Lucas County Educational Service Center to serve as the Chief Fiscal Officer of MPA. As part of this agreement, MPA shall compensate the Lucas County Educational Service Center two percent (2%) of the per pupil allotment paid to MPA from the State of Ohio. A total contract payment of \$6,722 was paid during the fiscal year and a liability in the amount of \$1,205 was accrued for the period ended June 30, 2009.

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD OF SEPTEMBER 23, 2008 THROUGH JUNE 30, 2009

**NOTE 11 - FISCAL AGENT - (Continued)**

The Treasurer shall perform all of the following functions while serving as the Chief Fiscal Officer of MPA:

- Maintain custody of all funds received by MPA in segregated accounts separate from the Sponsor or any other Community School's funds;
- Maintain all books and accounts of MPA;
- Maintain all financial records of MPA and follow procedures for receiving and expending State funds, which procedures shall include that the Treasurer shall disburse money only upon receipt of a voucher signed by the Chief Administrative Officer of MPA or that Officer's designee;
- Assist MPA in meeting all financial reporting requirements established by the Auditor of Ohio;
- Invest funds of MPA in the same manner as the funds of the Sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other community school; and,
- Pay obligations incurred by MPA within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Officer of MPA so long as the proposed expenditure is within the approved budget and funds are available.

**NOTE 12 - PURCHASED SERVICES**

For the period ended June 30, 2009, purchased services payments for services rendered by various vendors are as follows:

<b><u>PURCHASED SERVICES</u></b>	
Professional and technical services	\$ 90,015
Property services	35,150
Communications	10,833
Contracted craft or trade services	2,865
Travel mileage/meeting expense	2,043
Other	<u>2,098</u>
Total purchased services	<u><u>\$ 143,004</u></u>

**NOTE 13 - RELATED PARTY TRANSACTIONS**

Prior to September 23, 2008, MPA received a \$1,000 loan from Board Member Michael Love. MPA received an additional \$9,000 loan from Michael Love in September 2008. MPA repaid the \$1,000 and \$9,000 loans on October 30, 2008. MPA received two additional loans of \$10,000 each from Board Members AnneMarie Homolka and Michael Love in September 2008. These loans were subsequently changed to donations with board approval in December 2008.



**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD OF SEPTEMBER 23, 2008 THROUGH JUNE 30, 2009

**NOTE 14 - CONTINGENCIES**

**A. Grants**

MPA received financial assistance from State agencies in the form of grants. The expense of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of MPA at June 30, 2009.

**B. Litigation**

MPA is not involved in any litigation that, in the opinion of management, would have material effect on the financial statements.

**C. State Foundation Funding**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. MPA anticipates no adjustments to State funding for fiscal year 2010, as a result of the reviews which have yet to be completed.

**NOTE 15 - START UP PERIOD**

MPA began school operations on September 23, 2008. MPA received \$3,450, \$10,000 and \$3,000 in contributions and donations, loans and classroom materials and fees, respectively, during the start up period July 23, 2008 through September 23, 2008. Monies in the amount of \$5,250, \$750 and \$1,400 were expended for purchased services, salaries, wages and other expenditures.

Net assets at the end of the start up period consisted of the following:

Cash	\$ 9,050
Capital assets	2,798
Prepays	1,400
Loans payable	<u>(10,000)</u>
Total net assets at September 23, 2008	<u>\$ 3,248</u>

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Menlo Park Academy  
Cuyahoga County  
14440 Triskett Road  
Cleveland, Ohio 44111

To the Board of Directors:

We have audited the financial statements of the Menlo Park Academy, Cuyahoga County, (MPA) as of and for the period ended June 30, 2009, which collectively comprise MPA's basic financial statements and have issued our report thereon dated December 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered MPA's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of MPA's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of MPA's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects MPA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that MPA's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that MPA's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to MPA's management in a separate letter dated December 21, 2009.

### **Compliance and Other Matters**

As part of reasonably assuring whether MPA's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the MPA's management in a separate letter dated December 21, 2009

We intend this report solely for the information and use of the audit committee, management, Board of Directors, and the Community School's sponsor. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

December 21, 2009



# Mary Taylor, CPA

## Auditor of State

### Independent Accountant's Report on Applying Agreed-Upon Procedures

Menlo Park Academy  
Cuyahoga County  
14440 Triskett Road  
Cleveland, Ohio 44114

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Menlo Park Academy (MPA) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy prior to it becoming into existence on September 23, 2009.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

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- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and MPA's sponsor and is not intended to be and should not be used by anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 21, 2009



Mary Taylor, CPA  
Auditor of State

**MENLO PARK ACADEMY**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 14, 2010**